

**Department of Management and Budget  
Acquisition Services**

**Report of Proposed Changes in Excess of \$500,000  
To Current Contracts for Computer Software  
Development, Hardware Acquisition, or Quality Assurance**

Sec. 713 of Public Act 528 of 2002

(July 9, 2003)

Questions regarding this report may be directed to Jim Konrad, 517-373-0315

June 24, 2003

**BID TABULATION AND RECOMMENDATION FOR AWARD  
DEPARTMENT OF MANAGEMENT AND BUDGET  
ACQUISITION SERVICES**

**CONTRACT DESCRIPTION:** 071B3001048 - Provide for and Deploy a Remote Initial Claims Center (RICC) - Consumer and Industry Services - Unemployment Agency

**CONTRACT PERIOD:** 9/16/02 through 1/31/2004 (16 months)

**CONTRACTOR:** **INCREASE**

Unisys Corporation, Okemos, MI \$3,145,159.00

☒ - Check if contract is extended - Length of time extended: 8 months

**DESCRIPTION OF PURCHASE:**

**Purpose/Business Case:** The Bureau of Workers and Unemployment Compensation (BWUC) has undergone major changes over the past few years including the decision to redesign and reengineer all Agency functions by consolidating 45 local Branch Offices into three Remote Initial Claims Centers (RICCs). Technological advances and increasing recognition of the service potential of telephones, Interactive Voice Response (IVR) systems, and the Internet have promoted the "Call Center" as the dominant customer/organization interface. The RICC initiative impacts the service delivery of Unemployment Insurance benefits to all claimants in Michigan. In September 2002, a contract for the development piece of the RICC initiative was awarded to Unisys. Due to several changes in the focus, the RICC project is behind schedule and efforts to implement the system have been hindered by the hiring freeze and the loss of key project staff to the early out retirement. Consequently, many offices have closed or are functioning with minimal staff and a manual process, which has compromised the ability of BWUC to provide Unemployment Insurance benefits. The current situation is receiving media attention and BWUC must get the project implemented as soon as possible. This increase is for Phase 3 of this project and will allow the continued support from Unisys to ensure the timely and successful completion of the RICC initiative.

**Benefit:** This will allow the successful deployment of "Telephone Filed" claims statewide (i.e. new and additional claims) and successful completion of statewide deployment of RICC operations, which will allow unemployment compensation claims and checks to be processed in a timely manner.

**Commitment:** Fixed price for service is subject to appropriations.

**Risk Assessment:** If this is not approved and the contract continued, the BWUC will not be able to deploy this new system allowing for efficient processing of claims and checks in a timely manner. BWUC will continue to get negative press in the media, which will further hinder progress.

**Cost Reduction Consideration:** Original pricing received for this additional work was \$3,300,250.00. Negotiations were held and resulted in a reduction of 185,091.00 for a new total price of \$3,145,159.00

**FUNDING:** 100% federal funds

**PRICE CLAUSE:** Prices to remain firm for the duration of the contract.

**CS-138:** NJ

**ORIGINAL CONTRACT AMOUNT:** \$3,000,000.00

**CURRENT CONTRACT AMOUNT:** \$5,000,000.00

**PROPOSED AMENDMENT INCREASE AMOUNT:** \$3,145,159.00

**PERCENTAGE OF CHANGE BETWEEN AMENDMENT AND ORIGINAL CONTRACT AMOUNT:** 105%

**PERCENTAGE OF CHANGE BETWEEN AMENDMENT AND CURRENT CONTRACT AMOUNT:** 63%

**ESTIMATED 03 FISCAL YEAR INCREASE:** \$1,572,580.00

**NEW TOTAL CONTRACT COST:** \$8,145,159.00

☒ Check if > \$500,000 for software development, computer hardware acquisition or quality assurance?

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**INFORMATION BELOW THIS LINE FOR INTERNAL USE ONLY**

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**Buyer Signature**

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**Manager Signature**

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**Division Director Signature**

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**Acquisition Services Director Signature**

**MICHIGAN DEPARTMENT OF MANAGEMENT AND BUDGET  
STATE ADMINISTRATIVE BOARD  
CONTRACT ABSTRACT**

1. DEPARTMENT Bureau of State Lottery		AGENCY/FACILITY	
2. CONTRACTOR'S NAME SBC (formerly SBC Ameritech)		FEDERAL ID. NO. 36-3251481	
		SOCIAL SECURITY NO.	
3. ADDRESS  221 N Washington Square Lansing, MI 48933		CONTRACT NO. 93TQ0213	
		AMENDMENT NO. 93TQ0213-06	
		CIVIL SERVICE CS-138 NO. (If applicable) NJ	
4. (a) CURRENT CONTRACT AMT. \$64,225,842	(b) AMENDMENT AMOUNT \$46,444,320	(c) NEW TOTAL \$110,670,162	(d) ESTIMATED CURRENT YEAR COST \$0
5. PURPOSE/BUSINESS CASE This contract provides for the data communications dedicated network that connects the Lottery's vendor-provided on-line gaming system to each of the on-line terminals located at individual retailer locations throughout the state. This amendment provides for the expansion of the dedicated data communications network to include approximately 3,000 additional new retailers who will be licensed to sell the new Quick Draw Keno game. The amendment also extends the life of the data communications contract consistent with the end of the on-line gaming contract so that the system as a whole can be evaluated to determine the best and most competitive means of providing each component.			
6. EXPECTED OUTCOMES The addition of 3,000 new Keno retailers will generate net revenue to state school aid of \$25 million in FY 2004 and \$315 million over the life of the contract, as well as continue to support the existing on-line gaming system through the life of that contract for the generation of nearly \$2 billion net revenue to state school aid.			
7. FUNDING SOURCE BY PERCENTAGE 100% restricted revenue – lottery funds		8. METHOD OF PAYMENT (i.e., Monthly, Fee for Services, etc.) monthly fee per terminal drop (e.g per dedicated line)	
9. RISK ASSESSMENT Failure to amend and extend this contract will result in the delay of implementation of the Quick Draw Keno game as well as put at risk the generation of revenue from the existing on-line gaming system, putting at risk 100% of the lottery revenues dedicated to state school aid.			
10. ACQUISITION METHOD (If Sole Source, give justification) Sole Source SBC (as the result of competitive bid ) has created the infrastructure (data lines, switching, etc) necessary to support the existing on-line network, and has provided the data communications network for the life of the on-line gaming system. The on-line system provided and operated by another vendor is constructed based on this communications system. To change data communications systems in mid-stream of the life of the on-line gaming system would result in additional cost to the state to revamp the front-end of the on-line gaming system to be compatible with a different communications system. The new Quick Draw Keno game will operate on the same on-line gaming system as the existing games.		11. COST REDUCTION  The contract rate effective throughout the life of the extension is 5% less than the originally bid contract rate. Further, the contract provides for increases to the base rate based on changes to the consumer price index. The vendor has foregone such permissible price increases.	
12. SUMMARY OF BIDS – ATTACH A SEPARATE PAGE IN THE FORMAT AS FOLLOWS - BIDDER, CITY, STATE, BIDDER NUMBER, PRICE			
13. ORIGINAL CONTRACT TERM July 1, 1993 TO September 15, 2004		14. CONTRACT BEING EXTENDED 2009 TO January 31,	
15. TYPE OF CANCELLATION CLAUSE (i.e., 30-day cancellation) 90 day cancellation notice			
16. DOES THE CONTRACT CONTAIN THE FOLLOWING:  a. Non-appropriation Clause <input checked="" type="checkbox"/> –section 2.17 Yes <input type="checkbox"/> No      b. Business Integrity Clause <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
17. DOES THE CONTRACT INDICATE THAT THE CONTRACTOR WILL COMPLY WITH ALL LAWS, RULES, REGULATIONS THAT MAY PERTAIN  TO THE CONTRACT? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (And specify location in the contract) 2.7, 2.8, 2.10, 2.11, 2.12, 2.19			

18. ADDITIONAL INFORMATION

SEE ATTACHMENT

THE UNDERSIGNED CERTIFIES THAT ALL THE APPROVALS, REQUIRED BY THE STATE ADMINISTRATIVE BOARD HAVE BEEN OBTAINED.

DEPARTMENT/AGENCY

APPROVED SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

AFTER AD BOARD – RETURN STAMPED APPROVAL(S) TO: Margie Reh  
Name and Title (type or print)

ID MAIL ADDRESS: Lottery Building, Lansing, Mi

TELEPHONE NUMBER: 5-5634

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**SAB-811** (5/2003)

**SUBMIT ORIGINAL WITH SIGNATURE AND 9 COPIES TO THE STATE ADMINISTRATIVE BOARD**